



Grover G. Norquist

President

June 7, 2004

Dear Representative:

On behalf of Americans for Tax Reform (ATR) I urge you to cosponsor the H.R. 2895, the “Bonus Depreciation Act” introduced by Rep. Joe Wilson. The legislation will extend the current depreciation rules for another two years, which is critical to keep the nation’s economic momentum going. More specifically, this legislation is critical to the nation’s manufacturing sector.

The nation has experienced a number of economic shocks including the bursting of the technology bubble, a recession, the horrific events of September 11th, two wars, and the news of corporate scandals. Each of these events has had a pronounced effect on business confidence and investment. As a result of this reduction of investment, fewer jobs and wage increases have occurred for American workers.

In response, Congress took the initiative to spur business investment. 30 percent depreciation allowance was created in February 2002 to offset negative business investment and the effects of September 11th. The allowance was extended to 50 percent as part of last year’s tax cut and the effects of the change are undeniable. Last month, Alan Greenspan remarked to the Joint Economic Committee that bonus depreciation was one of the most effective fiscal policy changes made by Congress.

As soon as the 30 percent depreciation went into place, the hemorrhaging of business finally ended and as soon as the 50 percent went into place, business investment and manufacturing output exploded. Manufacturing output picked up in states such as Pennsylvania, Wisconsin, Michigan, and now the jobs are catching up as factories cannot meet the orders. With the depreciation set to expire, new investment is stopping now which places severe constraints on the ability for manufacturing to grow.

Americans for Tax Reform believes this provision is critical to keeping the strong business investment going. It is this investment that has led to 5.6 percent Gross Domestic Product and the 1 million jobs that have been created over the last three months.

As such, this provision should be extended as proposed by Rep. Wilson in H.R. 2895. I urge you to cosponsor the legislation. **If you would like to cosponsor this legislation, please contact Dino Teppara in Rep. Wilson’s office at 225-2452 or Dino.Teppara@mail.house.gov.**

On behalf of Americans for Tax Reform, I thank you for your leadership on so many issues important to American taxpayers.

Sincerely,

Grover Norquist